LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7695
BILL NUMBER: SB 615

NOTE PREPARED: Mar 23, 2005
BILL AMENDED: Mar 22, 2005

SUBJECT: CHOICE Board and Medicaid.

FIRST AUTHOR: Sen. Server
FIRST SPONSOR: Rep. Becker

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill adds additional members to, and additional duties for, the Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) Board. It also extends certain expiration dates.

The bill requires the Office of Medicaid Policy and Planning (OMPP) to adopt rules concerning specified matters concerning the Supported Living Program and reimbursement system.

It also requires the Division of Disability, Aging, and Rehabilitative Services to adopt rules concerning: (1) provider standards; (2) audits, (3) the development of a comprehensive Bureau of Developmental Disabilities Services provider manual; (4) definitions of services; (5) documentation standards; and (6) training.

The bill also requires the Office of the Secretary to adopt rules: (1) governing fiscal audits; and (2) auditing rules for providers of services to developmentally disabled individuals.

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: *CHOICE Board:* The bill expands the membership of the CHOICE Board from 9 to 15 members. The additional members include 2 lay members and 4 nonvoting legislative members. CHOICE Board laymembers are eligible to receive $50 per diem plus travel reimbursement. Legislative members are eligible for $134 per diem plus travel reimbursement. The expense associated with the legislative members is paid from appropriations to the Legislative Council or the Legislative Services Agency. The Board is required to meet a minimum of 6 times each year. The cost of this provision for member

per diem would be an additional $600 for the lay members and $3,216 for the legislative members. The cost of travel reimbursement would be dependent upon the home stations of the new appointees, the number of meetings attended, and the number of miles traveled.

Waiver Applications: The bill extends deadlines for certain waiver applications required in P.L. 274-2003. In some instances, OMPP reported that some of the waivers were filed and in other cases, OMPP did not file the waiver applications required by P.L.274-2003, reporting that information necessary for the waiver applications was being developed. P.L. 274-2003 provides that the State Budget Director and the Secretary of FSSA are responsible for ensuring that the cost of services provided in the affected program does not exceed available state and federal funding. The cost of implementing the waivers if approved by the Centers for Medicare and Medicaid Services (CMS) would be subject to this constraint.

The waiver application process is not without opportunity costs. Waiver applications are developed and submitted by the existing staff in OMPP. Waiver applications must be developed and adequately justified. If the Centers for Medicare and Medicaid Services have questions or request additional information, staff must be available to respond within specified time lines or requests are considered expired. If the waivers are subsequently approved, OMPP must implement the reimbursement for services, or changes to services, and fulfill waiver reporting requirements, including the critical fiscal neutrality reports. OMPP is currently operating eight waivers.

(Revised) *Rule Promulgation Requirements:* This bill will require OMPP to adopt rules concerning Medicaid waiver care and residential placements for the developmentally disabled. The bill requires the amendment of rules recently promulgated by the Division of Disability, Aging, and Rehabilitative Services (DDARS). The bill also requires DDARS to promulgate rules standardizing the internal claims process, the definition of services, and the audit process. The bill further requires FSSA to promulgate rules to govern fiscal audits completed by FSSA staff and contractors.

The rule promulgation process should be accomplished within the existing level of resources available to FSSA, OMPP, and the Division. The fiscal impact of some of the Medicaid rules required by the bill should be cost neutral or may result in some savings. OMPP is also to require annual provider cost reporting in order to determine the base rates for the funding matrix the rules are to establish. The cost reporting requirement is currently under development and therefore has no additional fiscal impact.

(Revised) *Background Information of the Rule Promulgation Requirements:* The bill requires OMPP to adopt a rule that defines the process and criteria used to determine the number of hours of care a developmentally disabled individual needs in a supervised group living setting. This rule should impact the licensure requirements of the ICFs/MR through a revision in the way supervised group living settings are reimbursed. OMPP reports that currently an individual's placement is determined by the number of hours determined to be needed for care. If the individual's needs change, because of the way group homes are currently licensed and reimbursed, the individual may be required to move to a different group home or setting. This rule is intended to structure the reimbursement to be commensurate with the amount of care the individual requires, not the location in which the care is given.

The bill requires the amendment of the Supported Living Program and reimbursement rules to include an independent assessment of the level of resources needed to meet the needs of a developmentally disabled individual and to implement the use of a funding matrix to quantify the assessment process and provide a cap on service resources that is based on the level of service needs. OMPP reports that the existing process has led

to wide disparities in the amount of dollars allocated to individuals who have similar levels of need. The rule is intended to make allocations of available dollars more consistent among individuals while providing individual flexibility to determine the resources needed

The bill also requires that the daily rate components for residential settings be based on an assumption of a staff ratio of three residents to one staff unless there are other conditions or services provided. This requirement may conflict with the requirement discussed above to develop a funding matrix based on the hours of care a disabled individual needs in a supervised group living setting.

The bill requires the Division of Disability, Aging, and Rehabilitative Services to amend a recently promulgated rule to allow agencies that are accredited by national accrediting organizations to be recognized for meeting similar standards and other specified conditions. The amendment process should be able to be accomplished within the current level of resources available to the Division. It is not known if this provision would meet the level of accountability for quality of care measures that were recommended by the Centers for Medicare and Medicaid Services that led to the promulgation of the original rules.

The bill requires the Division of Disability, Aging, and Rehabilitative Services to adopt rules pertaining to the internal administrative process of the Division. DDARS staff reports that most of the requirements listed as requirements of the rule are current practice or have already been developed, such as automated claims processing, the comprehensive Bureau of Developmental Disabilities Services Provider Manual, and consistent definitions of services. The Bureau has the task of administering two distinct funding streams for the clients they serve. Group homes and waiver services are billed, processed, and reimbursed by Medicaid contractors and administered by OMPP. The Bureau administers the state-operated program for individuals and services that do not qualify for Medicaid reimbursement.

The bill also requires rules to include the provision of initial and periodic training of providers' financial staff for accounting, billing, and audit procedures. The Medicaid contractor provides this training for Medicaid related claims and procedures. DDARS reports that such training sessions are not regularly scheduled but that the training could probably be accommodated within the current level of resources.

Medicaid is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of the Secretary of the Family and Social Services Administration (OMPP and DDARS).

Local Agencies Affected:

Information Sources: Office of Medicaid Policy and Planning; *Indiana Register*, Volume 28, Number 2, 460 IAC 1.1.

Fiscal Analyst: Sarah Brooks, 317-232-9559; Kathy Norris, 317-234-1360.